

Fountain Green City  
Sanpete County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2006

Fountain Green City  
**TABLE OF CONTENTS**  
June 30, 2006

	Beginning on <u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	42

Continued on next page

Fountain Green City  
**TABLE OF CONTENTS (continued)**  
June 30, 2006

	Beginning on <u>Page</u>
Continued from previous page	
<b>OTHER REPORTS</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Auditor's Report on State Legal Compliance	47

# Kimball & Roberts

*Certified Public Accountants*

*A Professional Corporation*

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*Richfield, Utah 84701*

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Fountain Green City  
Fountain Green, Utah 84632

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fountain Green City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fountain Green City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fountain Green City as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2006, on our consideration of Fountain Green City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 6, 2006  
Richfield, Utah



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Fountain Green City  
**Management's Discussion and Analysis**  
June 30, 2006

As management of Fountain Green City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the City as a whole decreased by \$18,764.
- \*Total unrestricted net assets for the City as a whole increased by \$39,124.
- \*Total net assets for governmental activities increased by \$50,786.
- \*Total net assets for business-type activities decreased by \$69,550.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Fountain Green City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.



Fountain Green City  
**Management's Discussion and Analysis**  
June 30, 2006

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's general fund is the only fund reported as a major governmental fund.

The City adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and building authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Fountain Green City  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS**

**Fountain Green City's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$ 137,969	127,071	333,039	163,993	471,007	291,063
Capital assets	<u>1,948,344</u>	<u>2,009,114</u>	<u>3,396,502</u>	<u>3,258,757</u>	<u>5,344,846</u>	<u>5,267,871</u>
<b>Total assets</b>	<b><u>2,086,313</u></b>	<b><u>2,136,185</u></b>	<b><u>3,729,541</u></b>	<b><u>3,422,750</u></b>	<b><u>5,815,854</u></b>	<b><u>5,558,935</u></b>
Long-term liabilities	258,029	300,275	2,001,166	1,833,474	2,259,195	2,133,749
Other liabilities	<u>85,671</u>	<u>146,664</u>	<u>225,980</u>	<u>17,332</u>	<u>311,651</u>	<u>163,995</u>
<b>Total liabilities</b>	<b><u>343,700</u></b>	<b><u>446,939</u></b>	<b><u>2,227,146</u></b>	<b><u>1,850,805</u></b>	<b><u>2,570,846</u></b>	<b><u>2,297,744</u></b>
Net assets:						
Invested in capital assets, net of debt	1,690,315	1,708,839	1,395,336	1,425,283	3,085,651	3,134,122
Restricted	101,624	108,921	115,041	114,579	216,665	223,501
Unrestricted	<u>(49,326)</u>	<u>(128,514)</u>	<u>(7,983)</u>	<u>32,082</u>	<u>(57,309)</u>	<u>(96,433)</u>
<b>Total net assets</b>	<b><u>\$1,742,613</u></b>	<b><u>1,689,246</u></b>	<b><u>1,502,394</u></b>	<b><u>1,571,944</u></b>	<b><u>3,245,008</u></b>	<b><u>3,261,191</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$3,245,008, a decrease from the previous year of \$18,764. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are a deficit of \$57,309, which represents an increase of \$39,124 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Fountain Green City  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS (continued)**

**Fountain Green City's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Program revenues:</b>						
Charges for services	\$ 64,271	51,054	275,254	268,796	339,525	319,849
Operating grants	72,238	59,974	-	-	72,238	59,974
Capital grants	49,000	229	-	-	49,000	229
<b>General revenues:</b>						
Property taxes	53,025	44,096	-	-	53,025	44,096
Sales taxes	84,587	73,939	-	-	84,587	73,939
Franchise taxes	31,117	25,896	-	-	31,117	25,896
Other revenues	70,613	6,589	2,738	2,809	73,351	9,398
<b>Total revenues</b>	<b><u>424,852</u></b>	<b><u>261,777</u></b>	<b><u>277,991</u></b>	<b><u>271,604</u></b>	<b><u>702,843</u></b>	<b><u>533,381</u></b>
<b>Expenses:</b>						
General government	173,407	191,500	-	-	173,407	191,500
Public safety	97,403	76,714	-	-	97,403	76,714
Street and highways	135,176	112,848	-	-	135,176	112,848
Parks and recreation	43,013	41,395	-	-	43,013	41,395
Interest on long-term debt	7,376	5,899	-	-	7,376	5,899
Water	-	-	109,023	102,190	109,023	102,190
Sewer	-	-	145,854	141,832	145,854	141,832
Building authority	-	-	10,356	11,506	10,356	11,506
<b>Total expenses</b>	<b><u>456,375</u></b>	<b><u>428,356</u></b>	<b><u>265,232</u></b>	<b><u>255,527</u></b>	<b><u>721,607</u></b>	<b><u>683,883</u></b>
<b>Excess (deficiency) before transfers</b>	<b>(31,523)</b>	<b>(166,579)</b>	<b>12,759</b>	<b>16,077</b>	<b>(18,764)</b>	<b>(150,502)</b>
Transfers	82,309	62,879	(82,309)	(62,879)	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ <u>50,786</u></b>	<b><u>(103,700)</u></b>	<b><u>(69,550)</u></b>	<b><u>(46,802)</u></b>	<b><u>(18,764)</u></b>	<b><u>(150,502)</u></b>

Total revenues increased by \$169,462, while total expenses increased by \$37,724. The total net decrease for the year of \$18,764 is an increase from the previous year of \$131,738.

Governmental activities revenues of \$424,852 is an increase of \$163,075 from the previous year. This is primarily a result of a state grant in the amount of \$49,000, and \$52,646 for an oil lease. Governmental activities expenses of \$456,375 is an increase of \$28,019 from the previous year. This is primarily a result of increases in street improvements and street lights expenses.

Business-type activities revenue of \$277,991 is an increase of \$6,387 from the previous year. Business-type activities expenses of \$265,232 is an increase of \$9,705 from the previous year.

Fountain Green City  
**Management's Discussion and Analysis**  
June 30, 2006

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

*General Fund*

The fund balance in the general fund of \$46,935 reflects an increase of \$69,065 from the previous year. Total revenues increased by \$161,760. Tax revenues, including property taxes and sales taxes changed by \$24,797. Intergovernmental revenues increased by \$61,036. All other revenues, excluding transfers, increased by \$75,927.

Total expenditures increased by \$94,713. Expenditure changes, by department, excluding capital outlay: administrative decreased by \$14,806, public safety (fire and police) increased by \$19,528, streets and highways increased by \$18,014, and parks and recreation increased by \$8,073. Total expenditures for capital outlay for all departments increased by \$63,905.

Transfers into the fund of \$82,309 increased by \$19,430 over the previous year.

*Water Fund*

Net increase before transfers was \$35,166. Net assets restricted for debt service amount to \$28,080. Unrestricted net assets amount to \$24,626.

*Sewer Fund*

Net decrease before transfers was \$25,595. Net assets restricted for debt service, bond payments, and repairs and replacements amount to \$73,307. Unrestricted net assets is a deficit in the amount of \$17,403.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no changes in the budget from the previous year.

Fountain Green City  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Fountain Green City's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Prior Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
<b>Net Capital Assets:</b>						
Land and water rights	\$ 210,300	210,300	193,000	193,000	403,300	403,300
Buildings	351,148	372,250	214,151	220,706	565,299	592,956
Improvements other than buildings	56,249	61,160	-	-	56,249	61,160
Equipment	193,798	162,081	-	-	193,798	162,081
Infrastructure	1,136,849	1,203,323	-	-	1,136,849	1,203,323
Water system	-	-	318,077	341,030	318,077	341,030
Sewer system	-	-	2,420,745	2,501,620	2,420,745	2,501,620
Work in progress	-	-	250,530	2,400	250,530	2,400
<b>Totals</b>	<b><u>\$1,948,344</u></b>	<b><u>2,009,114</u></b>	<b><u>3,396,502</u></b>	<b><u>3,258,757</u></b>	<b><u>5,344,846</u></b>	<b><u>5,267,871</u></b>

The total amount of capital assets, net of depreciation, of \$5,344,846 is an increase of \$76,975 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,948,344 is a decrease of \$60,770 from the previous year.

Business-type activities capital assets, net of depreciation, of \$3,396,502 is an increase of \$137,745 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Fountain Green City  
**Management's Discussion and Analysis**  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Fountain Green City's Outstanding Debt - Revenue Bonds**

	<u>Current Year</u>	<u>Previous Year</u>
<b>Governmental activities:</b>		
General fund:		
GO Street Bond 1997	\$ 156,961	177,961
Bank Note 1998	15,068	32,114
Revenue Bond 2004	<u>86,000</u>	<u>90,200</u>
<b>Total governmental</b>	<b><u>258,029</u></b>	<b><u>300,275</u></b>
<b>Business-type activities:</b>		
Water fund:		
Water Revenue 1993	410,425	416,774
Big Spring Revenue 2001	170,750	172,737
Water Rights 2006	225,000	-
Sewer fund:		
Sewer Revenue 1994A	516,000	541,000
Sewer Revenue 1994B	353,241	358,462
Sewer Construction 1999	126,750	136,500
Building authority fund:		
Building 1998A	76,000	80,000
Building 1998B	<u>123,000</u>	<u>128,000</u>
<b>Total business-type</b>	<b><u>2,001,166</u></b>	<b><u>1,833,474</u></b>
<b>Total outstanding debt</b>	<b><u>\$2,259,195</u></b>	<b><u>2,133,749</u></b>

Principal was paid on governmental obligations in the amount of \$42,246. Principal was paid on business-type obligations in the amount of \$57,307.

Additional information regarding the long-term liabilities may be found in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fountain Green City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Recorder, Fountain Green City, P.O. Box 97, Fountain Green City, Utah 84632.

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**BASIC FINANCIAL STATEMENTS**



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Fountain Green City  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 14,396	2,992	17,388
Accounts receivable	36,345	42,364	78,709
Due from other funds	87,228	2,903	90,131
Total current assets	<u>137,969</u>	<u>48,259</u>	<u>186,228</u>
Non-current assets:			
Restricted cash and cash equivalents	-	284,780	284,780
Capital assets, net of depreciation	<u>1,948,344</u>	<u>3,396,502</u>	<u>5,344,846</u>
Total non-current assets	<u>1,948,344</u>	<u>3,681,282</u>	<u>5,629,626</u>
<b>Total assets</b>	<b><u>\$2,086,313</u></b>	<b><u>3,729,541</u></b>	<b><u>5,815,854</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	\$ 10,338	203,982	214,320
Due to other funds	72,942	17,188	90,131
Accrued interest payable	2,391	4,810	7,201
Revenue bonds due within one year	<u>40,068</u>	<u>58,011</u>	<u>98,079</u>
Total current liabilities	<u>125,739</u>	<u>283,991</u>	<u>409,730</u>
Non-current liabilities:			
Revenue bonds due after one year	<u>217,961</u>	<u>1,943,155</u>	<u>2,161,116</u>
Total non-current liabilities	<u>217,961</u>	<u>1,943,155</u>	<u>2,161,116</u>
<b>Total liabilities</b>	<b><u>343,700</u></b>	<b><u>2,227,146</u></b>	<b><u>2,570,846</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt:	1,690,315	1,395,336	3,085,651
Restricted:			
Bond payment	-	10,835	10,835
Repair & replacement	-	13,000	13,000
Debt service	-	91,206	91,206
Cemetery	101,624	-	101,624
Unrestricted	<u>(49,326)</u>	<u>(7,983)</u>	<u>(57,309)</u>
<b>Total net assets</b>	<b><u>1,742,613</u></b>	<b><u>1,502,394</u></b>	<b><u>3,245,008</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$2,086,313</u></b>	<b><u>3,729,541</u></b>	<b><u>5,815,854</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
<b>FUNCTIONS/PROGRAMS:</b>					
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government:					
Administration	\$151,964	45,453	-	49,000	(57,511)
Justice court	21,444	-	-	-	(21,444)
Public safety:					
Police	62,096	-	361	-	(61,736)
Fire	35,307	11,021	9,663	-	(14,623)
Highways and public improvements:					
Street and highways	135,176	-	62,215	-	(72,961)
Parks, recreation, public property:					
Parks	21,169	585	-	-	(20,584)
Recreation	4,058	4,812	-	-	754
Theatre	7,318	-	-	-	(7,318)
Cemetery	10,468	2,400	-	-	(8,068)
Interest on long-term debt	<u>7,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,376)</u>
<b>Total governmental activities</b>	<b><u>456,375</u></b>	<b><u>64,271</u></b>	<b><u>72,238</u></b>	<b><u>49,000</u></b>	<b><u>(270,865)</u></b>
<b>Business-type activities:</b>					
Water	109,023	148,083	-	-	39,060
Sewer	145,854	109,378	-	-	(36,476)
Building Authority	<u>10,356</u>	<u>12,790</u>	<u>-</u>	<u>-</u>	<u>2,434</u>
<b>Total business-type activities</b>	<b><u>265,232</u></b>	<b><u>270,250</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,018</u></b>
<b>Total primary government</b>	<b><u>\$721,607</u></b>	<b><u>334,522</u></b>	<b><u>72,238</u></b>	<b><u>49,000</u></b>	<b><u>(265,847)</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	\$ <u>(270,865)</u>	<u>5,018</u>	<u>(265,847)</u>
<b>General revenues:</b>			
Property taxes	53,025	-	53,025
Sales taxes	84,587	-	84,587
Franchise taxes	31,117	-	31,117
Impact fees	-	15,650	15,650
Unrestricted investment earnings	3,690	2,738	6,428
Uncollectible revenue	-	(10,647)	(10,647)
Miscellaneous	<u>66,924</u>	<u>-</u>	<u>66,924</u>
<b>Total general revenues</b>	<b><u>239,342</u></b>	<b><u>7,741</u></b>	<b><u>247,083</u></b>
Transfers	<u>82,309</u>	<u>(82,309)</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<b><u>321,651</u></b>	<b><u>(74,568)</u></b>	<b><u>247,083</u></b>
<b>Change in net assets</b>	<b><u>50,786</u></b>	<b><u>(69,550)</u></b>	<b><u>(18,764)</u></b>
Net assets - beginning	<u>1,691,827</u>	<u>1,571,944</u>	<u>3,263,772</u>
<b>Net assets - ending</b>	<b><u>\$1,742,613</u></b>	<b><u>1,502,394</u></b>	<b><u>3,245,008</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	14,396	14,396
Receivables	36,345	-	36,345
Due from other funds	<u>-</u>	<u>87,228</u>	<u>87,228</u>
<b>Total assets</b>	<b><u>36,345</u></b>	<b><u>101,624</u></b>	<b><u>137,969</u></b>
<b>LIABILITIES</b>			
Accounts payable	10,338	-	10,338
Due to other funds	<u>72,942</u>	<u>-</u>	<u>72,942</u>
<b>Total liabilities</b>	<b><u>83,280</u></b>	<b><u>-</u></b>	<b><u>83,280</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Cemetery	-	101,624	101,624
Unreserved, reported in:			
General fund	<u>(46,935)</u>	<u>-</u>	<u>(46,935)</u>
<b>Total fund balances</b>	<b><u>(46,935)</u></b>	<b><u>101,624</u></b>	<b><u>54,689</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$36,345</u></b>	<b><u>101,624</u></b>	<b><u>137,969</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property taxes	\$ 53,025	-	53,025
Sales taxes	84,587	-	84,587
Franchise taxes	31,117	-	31,117
Licenses and permits	2,301	-	2,301
Intergovernmental revenues	121,238	-	121,238
Charges for services	39,656	-	39,656
Fines and forfeitures	22,314	-	22,314
Interest	1,054	2,636	3,690
Miscellaneous revenue	<u>66,924</u>	<u>-</u>	<u>66,924</u>
<b>Total revenues</b>	<b><u>422,216</u></b>	<b><u>2,636</u></b>	<b><u>424,852</u></b>
<b>EXPENDITURES:</b>			
General government	158,471	-	158,471
Public safety	72,801	-	72,801
Highways and public improvements	55,377	-	55,377
Parks, recreation and public property	29,912	-	29,912
Capital outlay	69,278	-	69,278
Debt service:			
Principal	42,246	-	42,246
Interest	<u>7,376</u>	<u>-</u>	<u>7,376</u>
<b>Total expenditures</b>	<b><u>435,460</u></b>	<b><u>-</u></b>	<b><u>435,460</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>(13,244)</u></b>	<b><u>2,636</u></b>	<b><u>(10,608)</u></b>
<b>Other Financing Sources and (Uses):</b>			
Transfers in	82,309	-	82,309
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>82,309</u></b>	<b><u>-</u></b>	<b><u>82,309</u></b>
<b>Net Change in Fund Balances</b>	<b>69,065</b>	<b>2,636</b>	<b>71,701</b>
Fund balances - beginning of year	<u>(116,000)</u>	<u>98,988</u>	<u>(17,012)</u>
<b>Fund Balances - end of year</b>	<b><u>\$(46,935)</u></b>	<b><u>101,624</u></b>	<b><u>54,689</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ <u>54,689</u></b>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	3,081,982
Less accumulated depreciation	<u>(1,133,638)</u>
Net capital assets	<u>1,948,344</u>
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	(258,029)
Interest accrued but not yet paid on general long-term debt	<u>(2,391)</u>
<b>Total Net Assets of Governmental Activities</b>	<b><u>\$1,742,613</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**RCONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** **\$ 71,701**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	69,278
Depreciation expense	<u>(130,048)</u>
Net	<u>(60,770)</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<b>Long-term debt principal repayments</b>	<b><u>42,246</u></b>
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Accrued interest for long-term debt is not reported as expenditure for the current period while it is recorded in the statement of activities.

<b>Accrued interest on long-term debt at end of period</b>	<b><u>(2,391)</u></b>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>50,786</u></b>
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The notes to the financial statements are an integral part of this statement.



Fountain Green City  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2006

	Water Fund	Sewer Fund	Building Authority Fund	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ -	2,992	-	2,992
Accounts receivable	25,961	16,403	-	42,364
Due from other funds	-	2,903	-	2,903
Total current assets	<u>25,961</u>	<u>22,298</u>	<u>-</u>	<u>48,259</u>
Non-current assets:				
Restricted cash and cash equivalents	236,031	35,094	13,654	284,780
Capital assets, net of depreciation	587,007	2,595,345	214,151	3,396,502
Total non-current assets	<u>823,038</u>	<u>2,630,439</u>	<u>227,805</u>	<u>3,681,282</u>
<b>Total assets</b>	<b><u>\$848,999</u></b>	<b><u>2,652,737</u></b>	<b><u>227,805</u></b>	<b><u>3,729,541</u></b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 203,982	-	-	203,982
Due to other funds	2,903	-	14,286	17,188
Accrued interest payable	2,402	1,487	920	4,810
Revenue bonds, current	8,767	40,244	9,000	58,011
Total current liabilities	<u>218,054</u>	<u>41,731</u>	<u>24,206</u>	<u>283,991</u>
Non-current liabilities:				
Revenue bonds, long-term	797,408	955,747	190,000	1,943,155
Total non-current liabilities	<u>797,408</u>	<u>955,747</u>	<u>190,000</u>	<u>1,943,155</u>
<b>Total liabilities</b>	<b><u>1,015,462</u></b>	<b><u>997,479</u></b>	<b><u>214,206</u></b>	<b><u>2,227,146</u></b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	(219,168)	1,599,353	15,151	1,395,336
Restricted for:				
Bond payments	-	10,835	-	10,835
Debt service	28,080	49,472	13,654	91,206
Repair & replacement	-	13,000	-	13,000
Unrestricted	24,626	(17,403)	(15,206)	(7,983)
<b>Total net assets</b>	<b><u>(166,463)</u></b>	<b><u>1,655,258</u></b>	<b><u>13,599</u></b>	<b><u>1,502,394</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$848,999</u></b>	<b><u>2,652,737</u></b>	<b><u>227,805</u></b>	<b><u>3,729,541</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2006

	Water Fund	Sewer Fund	Building Authority Fund	Total
<b>Operating income:</b>				
Charges for services	\$141,459	103,431	12,790	257,680
Connection fees	6,624	5,947	-	12,571
Less uncollectible revenues	(10,647)	-	-	(10,647)
<b>Total operating income</b>	<b><u>137,436</u></b>	<b><u>109,378</u></b>	<b><u>12,790</u></b>	<b><u>259,604</u></b>
<b>Operating expenses:</b>				
Personal services	41,026	38,876	-	79,902
Connections	5,760	4,951	-	10,711
Utilities	509	1,251	-	1,760
Repairs and maintenance	6,542	162	-	6,704
Other supplies and expenses	367	-	-	367
Depreciation expense	22,954	80,876	6,556	110,385
<b>Total operating expense</b>	<b><u>77,157</u></b>	<b><u>126,116</u></b>	<b><u>6,556</u></b>	<b><u>209,828</u></b>
<b>Net operating income (loss)</b>	<b><u>60,279</u></b>	<b><u>(16,738)</u></b>	<b><u>6,234</u></b>	<b><u>49,776</u></b>
<b>Non-operating income (expense):</b>				
Impact fees	4,772	10,878	-	15,650
Interest income	1,981	3	753	2,738
Interest on long-term debt	(31,866)	(19,738)	(3,800)	(55,404)
<b>Total non-operating income (expense)</b>	<b><u>(25,113)</u></b>	<b><u>(8,857)</u></b>	<b><u>(3,047)</u></b>	<b><u>(37,017)</u></b>
<b>Income (loss) before contributions and transfers</b>	<b>35,166</b>	<b>(25,595)</b>	<b>3,188</b>	<b>12,759</b>
Transfers	(75,009)	(7,300)	-	(82,309)
<b>Change in net assets</b>	<b>(39,843)</b>	<b>(32,895)</b>	<b>3,188</b>	<b>(69,550)</b>
Net assets, beginning	(126,620)	1,688,153	10,411	1,571,944
<b>Net assets, ending</b>	<b><u>\$(166,463)</u></b>	<b><u>1,655,258</u></b>	<b><u>13,599</u></b>	<b><u>1,502,394</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2006

	Water Fund	Sewer Fund	Building Authority Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	\$141,077	105,776	12,790	259,643
Cash paid to suppliers	(16,421)	(7,025)	-	(23,445)
Cash paid to employees	(39,428)	(38,215)	-	(77,644)
<b>Net cash provided (used) in operating activities</b>	<b><u>85,228</u></b>	<b><u>60,536</u></b>	<b><u>12,790</u></b>	<b><u>158,554</u></b>
<b>Cash flows from noncapital financing activities:</b>				
Net interfund activity	(47,008)	(10,203)	(242)	(57,452)
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>(47,008)</u></b>	<b><u>(10,203)</u></b>	<b><u>(242)</u></b>	<b><u>(57,452)</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from bond issues	225,000	-	-	225,000
Cash received from capital grants	-	-	-	-
Cash from impact fees	4,772	10,878	-	15,650
Cash payments for capital assets	(44,346)	-	-	(44,346)
Cash payments for long-term debt	(8,336)	(39,971)	(9,000)	(57,307)
Cash payments for long-term debt interest	(29,464)	(18,251)	(3,840)	(51,555)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>147,626</u></b>	<b><u>(47,344)</u></b>	<b><u>(12,840)</u></b>	<b><u>87,442</u></b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	1,981	3	753	2,738
<b>Net cash provided (used) in investing activities</b>	<b><u>1,981</u></b>	<b><u>3</u></b>	<b><u>753</u></b>	<b><u>2,738</u></b>
<b>Net increase (decrease) in cash</b>	<b>187,827</b>	<b>2,992</b>	<b>462</b>	<b>191,281</b>
Cash balance, beginning	48,204	35,094	13,192	96,491
<b>Cash balance, ending</b>	<b><u>\$236,031</u></b>	<b><u>38,086</u></b>	<b><u>13,654</u></b>	<b><u>287,772</u></b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	-	2,992	-	2,992
Non-current restricted cash	236,031	35,094	13,654	284,780
<b>Total cash and cash equivalents</b>	<b><u>\$236,031</u></b>	<b><u>38,086</u></b>	<b><u>13,654</u></b>	<b><u>287,772</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
**STATEMENT OF CASH FLOWS, continued**  
For the Year Ended June 30, 2006

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Building Authority Fund</u>	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$60,279</b>	<b>(16,738)</b>	<b>6,234</b>	<b>49,776</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	22,954	80,876	6,556	110,385
Changes in assets and liabilities:				
(Increase) decrease in receivables	3,641	(3,602)	-	39
Increase (decrease) in payables	<u>(1,646)</u>	<u>-</u>	<u>-</u>	<u>(1,646)</u>
<b>Net cash provided in operating activity</b>	<b><u>\$85,228</u></b>	<b><u>60,536</u></b>	<b><u>12,790</u></b>	<b><u>158,554</u></b>

The notes to the financial statements are an integral part of this statement.

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Fountain Green City, (the City), a municipal corporation located in Sanpete County, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Fountain Green City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental funds:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The City reports the following as non-major governmental funds:**

The *cemetery fund* accounts for the revenues and expenditures of the cemetery.

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water distribution.

The *sewer fund* is used to account for the operations of the sewer system.

The *building authority fund* is used to account for the operations of the building authority.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.



Fountain Green City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Improvements	10-40
Water system	40
Sewer system	40
Infrastructure	25
Vehicles and equipment	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fountain Green City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes is for unexpended Class C road allotments. The Sewer Fund has bond related reserve requirements that total \$73,307, of which \$35,094 is available in restricted cash, leaving a reserve deficit of \$38,213.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

The General fund has a deficit balance at year-end of \$46,935 compared to the previous year-end deficit of \$116,000. The Water fund has a deficit balance of \$166,463 compared to the previous year-end deficit of \$126,620.

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	-
Demand deposits - checking	\$(15,107)
Savings	13,654
Investments - PTIF	<u>303,620</u>
<b>Total cash and investments</b>	<b><u>\$302,168</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 17,388
Restricted cash and cash equivalents (non-current)	<u>284,780</u>
<b>Total cash and cash equivalents</b>	<b><u>\$302,168</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the City's demand and savings deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of year end for the City's funds are shown below:

	General Fund	Other Governmental Funds	Proprietary Funds	Total
Property taxes	\$ 3,747	-	-	3,747
Sales tax & Class C allotment	28,433	-	-	28,433
Inter-fund receivables	-	26,254	-	26,254
Customers, current	4,165	-	53,011	57,176
<b>Total receivables</b>	<b><u>36,345</u></b>	<b><u>26,254</u></b>	<b><u>53,011</u></b>	<b><u>115,609</u></b>
Allowance for uncollectibles	-	-	(10,647)	(10,647)
<b>Net receivables</b>	<b><u>\$36,345</u></b>	<b><u>26,254</u></b>	<b><u>42,364</u></b>	<b><u>104,963</u></b>

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 210,300	-	-	210,300
<b>Total capital assets, not being depreciated</b>	<b><u>210,300</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>210,300</u></b>
Capital assets, being depreciated:				
Buildings	596,888	-	-	596,888
Improvements other than buildings	98,236	-	-	98,236
Machinery and equipment	437,548	69,278	-	506,826
Infrastructure	<u>1,669,732</u>	<u>-</u>	<u>-</u>	<u>1,669,732</u>
<b>Total capital assets, being depreciated</b>	<b><u>2,802,404</u></b>	<b><u>69,278</u></b>	<b><u>-</u></b>	<b><u>2,871,682</u></b>
Less accumulated depreciation for:				
Buildings	224,638	21,101	-	245,740
Improvements other than buildings	37,076	4,912	-	41,988
Machinery and equipment	275,467	37,561	-	313,028
Infrastructure	<u>466,409</u>	<u>66,474</u>	<u>-</u>	<u>532,883</u>
<b>Total accumulated depreciation</b>	<b><u>1,003,590</u></b>	<b><u>130,048</u></b>	<b><u>-</u></b>	<b><u>1,133,638</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>1,798,814</u></b>	<b><u>(60,770)</u></b>	<b><u>-</u></b>	<b><u>1,738,044</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$2,009,114</u></b>	<b><u>(60,770)</u></b>	<b><u>-</u></b>	<b><u>1,948,344</u></b>

The additions amounting to \$69,278 consisted of a dump truck for \$55,000 and a police car for \$14,278.

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
Administration	\$ 14,937
Police	3,056
Fire	21,545
Highways and streets	77,408
Parks, recreation and public property	<u>13,101</u>
<b>Total</b>	<b><u>\$130,048</u></b>

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 193,000	-	-	193,000
Construction in progress	<u>2,400</u>	<u>248,130</u>	<u>-</u>	<u>250,530</u>
<b>Total capital assets, not being depreciated</b>	<b><u>195,400</u></b>	<b><u>248,130</u></b>	<b><u>-</u></b>	<b><u>443,530</u></b>
Capital assets, being depreciated:				
Water system	918,145	-	-	918,145
Sewer system	3,235,025	-	-	3,235,025
Building authority	<u>262,226</u>	<u>-</u>	<u>-</u>	<u>262,226</u>
<b>Total capital assets being depreciated</b>	<b><u>4,415,396</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,415,396</u></b>
Less accumulated depreciation for:				
Water system	577,115	22,954	-	600,068
Sewer system	733,405	80,876	-	814,280
Building authority	<u>41,520</u>	<u>6,556</u>	<u>-</u>	<u>48,075</u>
<b>Total accumulated depreciation</b>	<b><u>1,352,039</u></b>	<b><u>110,385</u></b>	<b><u>-</u></b>	<b><u>1,462,424</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>3,063,357</u></b>	<b><u>(110,385)</u></b>	<b><u>-</u></b>	<b><u>2,952,972</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$3,258,757</u></b>	<b><u>137,745</u></b>	<b><u>-</u></b>	<b><u>3,396,502</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$ 22,954
Sewer	80,876
Building authority	<u>6,556</u>
<b>Total</b>	<b><u>\$110,385</u></b>

Fountain Green City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>06/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2006</u>	<u>Due Within One Year</u>
<b><u>Governmental activities:</u></b>							
GO Streets 1997	\$275,000	2.00	\$177,961	-	21,000	156,961	21,000
Social Hall Revenue 2004	90,200	2.50	90,200	-	4,200	86,000	4,000
Streets Note 1998	140,000	5.00	<u>32,114</u>	<u>-</u>	<u>17,046</u>	<u>15,068</u>	<u>15,068</u>
<b>Total governmental activity long-term liabilities</b>			<b><u>\$300,275</u></b>	<b><u>-</u></b>	<b><u>42,246</u></b>	<b><u>258,029</u></b>	<b><u>40,068</u></b>

Bond debt service requirements to maturity for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 40,068	6,043	46,111
2008	26,000	4,769	30,769
2009	26,000	4,229	30,229
2010	26,000	3,689	29,689
2011	27,000	3,149	30,149
2012-2016	67,961	8,668	76,629
2017-2021	25,000	4,375	29,375
2022-2026	<u>20,000</u>	<u>1,250</u>	<u>21,250</u>
Total	<b><u>\$258,029</u></b>	<b><u>36,173</u></b>	<b><u>294,202</u></b>

Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**3-D. Long-term debt (continued)**

	Original Principal	% Rate	06/30/2005	Additions	Reductions	06/30/2006	Due Within One Year
<b><u>Business-type activities:</u></b>							
<b>Water fund:</b>							
RUS Water Revenue 1993	\$468,000	5.25	\$ 416,774	-	6,349	410,425	6,689
RUS Big Springs 2001	180,000	4.50	172,737	-	1,987	170,750	2,078
Water Rights 2006	225,000	-	-	225,000	-	225,000	-
<b>Sewer fund:</b>							
RUS Sewer Revenue 1994A	766,000	-	541,000	-	25,000	516,000	25,000
RUS Sewer Revenue 1994B	398,300	5.13	358,462	-	5,221	353,241	5,494
Sewer Construction 1999	195,000	-	136,500	-	9,750	126,750	9,750
<b>Building authority fund:</b>							
Building 1998A	100,000	-	80,000	-	4,000	76,000	4,000
Building 1998B	150,000	3.00	128,000	-	5,000	123,000	5,000
<b>Total business-type activity long-term liabilities</b>			<b><u>\$1,833,473</u></b>	<b><u>225,000</u></b>	<b><u>57,307</u></b>	<b><u>2,001,166</u></b>	<b><u>58,011</u></b>

All bonds are revenue bonds secured by the revenues of the respective water or sewer systems.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 58,011	50,701	108,712
2008	69,751	49,811	119,562
2009	70,531	48,881	119,412
2010	71,350	47,912	119,262
2011	74,213	46,899	121,112
2012-2016	385,671	217,189	602,860
2017-2021	400,608	182,952	583,560
2022-2026	402,347	139,413	541,760
2027-2031	234,378	87,982	322,360
2032-2036	192,282	28,525	220,807
2037-2041	42,024	4,827	46,851
<b>Total</b>	<b><u>\$2,001,166</u></b>	<b><u>905,092</u></b>	<b><u>2,906,258</u></b>



Fountain Green City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

**Plan Description:**

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective system to which they belong; 12.29% to the Public Safety Contributory System. The City is required to contribute a percent of covered salary to the respective systems, 11.090% to the Noncontributory, and 7.700% to the Public Safety Contributory. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ending June 30, 2006, 2004 and 2003 respectively were: for the Noncontributory System, XXXX, \$7,290, and \$6,283, for the Public Safety Contributory, XXXX, \$5,268, and \$4,623, respectively. The contributions were equal to the required contributions for each year.

**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Fountain Green City  
**Notes to Required Supplementary Information**  
June 30, 2006

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2006, spending for the general government department exceeded appropriations by \$11,127, spending for the public safety department exceed appropriations by \$42,377, spending for the highways and public improvements department exceeded appropriations by \$34,953, and spending for the parks and recreation department exceed appropriations by \$17,562.

Fountain Green City  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2006

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget Under (Over)</u>
<b>Revenues</b>				
Taxes	\$141,500	141,500	168,729	(27,229)
Licenses and permits	3,000	3,000	2,301	699
Intergovernmental revenues	65,100	65,100	121,238	(56,138)
Charges for services	32,000	32,000	39,656	(7,656)
Fines and forfeitures	34,800	34,800	22,314	12,486
Interest	-	-	1,054	(1,054)
Miscellaneous revenue	<u>4,500</u>	<u>4,500</u>	<u>66,924</u>	<u>(62,424)</u>
<b>Total revenues</b>	<b><u>280,900</u></b>	<b><u>280,900</u></b>	<b><u>422,216</u></b>	<b><u>(141,316)</u></b>
<b>Expenditures</b>				
General government	147,344	147,344	158,471	(11,127)
Public safety	44,701	44,701	87,079	(42,377)
Highways and public improvements	75,424	75,424	110,377	(34,953)
Parks, recreation and public property	12,350	12,350	29,912	(17,562)
Debt service:				
Principal	38,200	38,200	42,246	(4,046)
Interest	<u>-</u>	<u>-</u>	<u>7,376</u>	<u>(7,376)</u>
<b>Total expenditures</b>	<b><u>318,019</u></b>	<b><u>318,019</u></b>	<b><u>435,460</u></b>	<b><u>(117,441)</u></b>
<b>Excess (Deficiency) of Revenues over (Under Expenditures)</b>	<b><u>(37,119)</u></b>	<b><u>(37,119)</u></b>	<b><u>(13,244)</u></b>	<b><u>(23,875)</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	63,279	63,279	82,309	(19,030)
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>63,279</u></b>	<b><u>63,279</u></b>	<b><u>82,309</u></b>	<b><u>(19,030)</u></b>
<b>Net Change in Fund Balances</b>	<b><u>\$6,160</u></b>	<b><u>26,160</u></b>	<b>69,065</b>	<b><u>(42,905)</u></b>
Fund balances - beginning of year			(160,000)	
<b>Fund Balances - end of year</b>			<b><u>\$(46,935)</u></b>	

**Other Reports**

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# ***Kimball & Roberts***

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*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
Fountain Green City  
Fountain Green, Utah 84632

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fountain Green City as and for the year ended June 30, 2006, which collectively comprise Fountain Green City's basic financial statements and have issued our report thereon dated December 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fountain Green City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fountain Green City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Fountain Green City in a separate letter dated December 6, 2006.



Honorable Mayor and City Council  
Fountain Green City  
Page -2-

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 8, 2006  
Richfield, Utah

# *Kimball & Roberts*

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## **AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
Fountain Green City  
Fountain Green, Utah 84632

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fountain Green City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. As part of our audit, we have audited Fountain Green City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Fountain Green City's financial statements.)

CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements


The management of Fountain Green City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council  
Fountain Green City  
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Fountain Green City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 6, 2006  
Richfield, Utah

**FOUNTAIN GREEN CITY  
MANAGEMENT LETTER  
JUNE 30, 2006**

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

Honorable Mayor and City Council  
Fountain Green City  
Fountain Green, Utah 84632

During our audit of the funds of Fountain Green City for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. These items are discussed below for your consideration.

## **COMPLIANCE:**

### **Treasurer's Fidelity Bond**

State law requires that every public Treasurer secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public Treasurer.

#### **Finding:**

We noted during our audit that the City's present fidelity bond is \$9,000. Based on the previous year's budgeted gross revenues the City should have a fidelity bond for the Treasurer of at least \$40,000.

#### **Recommendation:**

We recommend that the City increase their Treasurer's fidelity bond to at least \$40,000.

#### **Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

### **Budgetary Compliance**

State law specifies that Officers and employees of an entity shall not incur expenditures in excess of the total appropriation for any department or fund. Budget integrity for cities is at the department level.

#### **Finding:**

For the year June 30, 2006, spending for the general fund exceeded budget in each department. Total expenditures exceeded budget by \$117,441.

**Recommendation:**

We recommend that the City operate within the adopted budget. If anticipated expenditures are going to exceed budget the City should hold a public hearing to increase revenues and anticipated expenditures so that the budget is not over expended.

**Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

**Fund Balances**

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the general fund can be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance.

**Finding:**

The unreserved fund balance for the general fund is in a negative position of \$46,935. The City does not maintain a 5% minimum balance as required by law and find themselves in a deficit position. The State Auditor has taken a position that a deficit created by expenditures being made in excess of those budgeted is an illegally created debt in violation of the Utah Constitution, Section XIV(3).

**Recommendation:**

We recommend that the City budget sufficient revenues in excess of expenditures to eliminate this deficit in the general fund for the coming year.

**Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

**Form TC-693 Tax Rate Summary**

The State Tax Commission requires the filing of Form TC-693 tax rate summary. The form includes a column "Budgeted Revenue". The amounts in that column should be the same as the revenue amounts in the entity's budget.

**Finding:**

We noted that the adopted budget for the general fund property taxes was \$45,000, and Form TC-693 shows certified budgeted property tax revenues of \$34,584. The adopted budget amount is in excess of the certified amount and could cause the City to expend more than the anticipated revenues to be collected.

Honorable Mayor and City Council  
Fountain Green City  
Page -3-

**Recommendation:**

We recommend that the City adopt current property taxes based on the amount eligible to be received, as shown on form TC-693.

**Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Fountain Green City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

December 6, 2006  
Richfield, Utah

# **FOUNTAIN GREEN CITY**

PO BOX 97

FOUNTAIN GREEN, UT 84632

(435)445-3453

February 28, 2007

To: Office of the State Auditor,

In order for Fountain Green City to be in compliance, the following corrective action plans will be addressed:

## **Treasurer's Fidelity Bond**

Fountain Green City has increased the Treasurer's Fidelity Bond from \$9,000 to \$40,000.

Contact Person: Michelle Walker (City Recorder)

Fountain Green City - (435-445-3453)

Date Of Completion: February 5, 2007

## **Budgetary Compliance**

Fountain Green City will operate within the adopted budget. Fountain Green will make sure that they include anticipated expenditures in the budget. If the City's expenditures exceed the adopted budget Fountain Green City will hold a public hearing to open the budget.

Contact Person: Michelle Walker

Date Of Completion: June, 2007

## **Fund Balances**

The City budget will have sufficient revenues in excess of expenditures to eliminate this deficit in the general fund for the coming year.

Contact Person: Michelle Walker

Date of Completion: June, 2007

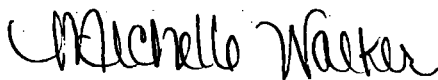
## **Form TC-693 Tax Rate Summary**

The City will adopt current property taxes based on the amount eligible to be received, using the form TC-693.

Contact Person: Michelle Walker

Date of Completion: June, 2007

Sincerely, ~



Michelle Walker  
City Recorder